Financial Statements - Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (USD $) In Thousands	12 Months Ended		
	Sep. 30, 2012	Sep. 30, 2011	Sep. 30, 2010
Operating Activities			
Net income	$ 19,372	$ 22,988	$ 16,829
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,445	12,769	12,917
Stock-based compensation expense	2,357	2,344	1,936
Loss on impairment of long-lived assets	1,876	768	1,865
Loss on disposal of assets	115	270	196
Loss on extinguishment of debt	22	37	51
Deferred income tax (benefit) provision	(1,378)	2,679	(2,062)
Amortization of deferred financing costs	105	170	196
(Increase) decrease in:			
Trade receivables	(2,188)	(680)	(3,814)
Inventories	1,611	(9,632)	(1,863)
Prepaid expenses and other current assets	2,577	(1,634)	(1,310)
Other non-current assets	(12)	(26)	(4)
Increase (decrease) in:			
Accounts payable, accrued expenses and other current liabilities	6,201	(5,525)	(1,028)
Deferred rent and other non-current liabilities	(406)	(3,085)	2,065
Net cash provided by operating activities	42,697	21,443	25,974
Investing Activities			
Capital expenditures	(9,256)	(12,270)	(10,448)
Additions to intangible assets	(265)	(313)	(293)
Withdrawal from (contribution to) grantor trust		1,504	(1,500)
Net cash used in investing activities	(9,521)	(11,079)	(12,241)
Financing Activities			
(Decrease) increase in cash overdrafts	(401)	(1,147)	550
Repayment of long-term debt	(16,085)	(13,819)	(12,248)
Deferred financing costs paid	(61)	(26)	
Withholding taxes on stock-based compensation paid in connection with repurchase of common stock	(597)	(2,786)	(960)
Cash dividends paid	(9,325)	(6,901)	
Proceeds from exercise of stock options	107	2,285	1,369
Excess tax benefit from exercise of stock options and restricted stock vesting	289	2,695	1,563
Net cash used in financing activities	(26,073)	(19,699)	(9,726)

Source: Destination Maternity Corp, XBRL, 12/14/2012 | Powered by Intelligize

Effect of exchange rate changes on cash and cash equivalents	(12)	(13)	
Net Increase (Decrease) in Cash and Cash Equivalents	7,091	(9,348)	4,007
Cash and Cash Equivalents, Beginning of Year	15,285	24,633	20,626
Cash and Cash Equivalents, End of Year	$ 22,376	$ 15,285	$ 24,633

Notes to Financial Statements - Nature of Business

Nature of Business	12 Months Ended
	Sep. 30, 2012
Nature of Business [Abstract]	
NATURE OF BUSINESS	**1. NATURE OF BUSINESS** Destination Maternity Corporation and subsidiaries (the "Company") is a specialty designer and retailer of maternity clothing. The Company operated 2,008 retail locations as of September 30, 2012, including 625 stores and 1,383 leased departments, throughout the United States, Puerto Rico and Canada, and markets its maternity apparel on the Internet through its DestinationMaternity.com and brand-specific websites. In addition, the Company markets maternity apparel at Kohl's® stores throughout the United States under an exclusive product and license agreement. The Company has expanded internationally and has entered into exclusive store franchise and product supply relationships in the Middle East, India and South Korea. The Company was incorporated in Delaware in 1982.

Source: Destination Maternity Corp, XBRL, 12/14/2012 | Powered by Intelligize

Notes to Financial Statements - Summary of Significant Accounting Policies

Summary of Significant Accounting Policies	12 Months Ended
	Sep. 30, 2012
Summary of Significant Accounting Policies [Abstract]	
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	(see below)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of the Company and its direct and indirect wholly-owned subsidiaries: Cave Springs, Inc., Mothers Work Canada, Inc., Destination Maternity Apparel Private Limited and Mothers Work Services, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

b. Fiscal Year-End

The Company operates on a fiscal year ending September 30 of each year. All references to fiscal years of the Company refer to the fiscal years ended on September 30 in those years. For example, the Company's "fiscal 2012" ended on September 30, 2012.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in the bank and short-term investments with an original maturity of three months or less when purchased. Cash overdrafts of $3,452,000 and $3,853,000 were included in accounts payable as of September 30, 2012 and 2011, respectively.

The Company maintains cash accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant credit risks on its cash accounts.

e. Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the "first-in, first-out" (FIFO) method. Inventories of goods manufactured by the Company include the cost of materials, freight, direct labor, and manufacturing and distribution overhead.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from five to ten years for furniture and equipment and forty years for the building. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or their useful life. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are expensed as incurred, except for the capitalization of major renewals and betterments that extend the life of the asset. Long-lived assets are reviewed for impairment whenever adverse events, or changes in circumstances or business climate, indicate that the carrying value may not be recoverable. Factors used in the evaluation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If the associated undiscounted cash flows are insufficient to support the recorded asset, an impairment loss is recognized to reduce the carrying value of the asset. The amount of the impairment loss is determined by comparing the fair value of the asset with the carrying value.

During fiscal 2012, 2011 and 2010, the Company recorded impairment write-downs of property, plant and equipment totaling $1,875,000, $759,000 and $1,863,000, respectively, on a pretax basis.

g. Intangible Assets

Intangible assets with definite useful lives consist primarily of patent and lease acquisition costs. The Company capitalizes legal costs incurred to defend its patents when a successful outcome is deemed probable and to the extent of an evident increase in the value of the patents. Intangible assets are amortized over the shorter of their useful life or, if applicable, the lease term. Management reviews the carrying amount of these intangible assets as impairment indicators arise, to assess the continued recoverability based on future undiscounted cash flows and operating results from the related asset, future asset utilization and changes in market conditions. During fiscal 2012, 2011 and 2010, the Company recorded write-downs of intangible assets totaling $1,000, $9,000 and $2,000, respectively, on a pretax basis. The Company has not identified any indefinite-lived intangible assets. Aggregate amortization expense of intangible assets in fiscal 2012, 2011 and 2010 was $142,000, $135,000 and $119,000, respectively.

Estimated amortization expense of the Company's intangible assets as of September 30, 2012, for the next five fiscal years, is as follows (in thousands):

Fiscal Year	
2013	$151
2014	134
2015	117
2016	112
2017	105

h. Interest Rate Derivatives

The Company mitigated a portion of its floating rate interest risk on variable rate long-term debt through an interest rate swap agreement that expired on April 18, 2012. In accordance with applicable accounting standards for derivative instruments, the Company recognized the derivative on the balance sheet at fair value. On the date the derivative instrument was entered into, the Company designated it as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). Changes in the fair value of a derivative that is designated as, and meets all the criteria for, a cash flow hedge are recorded in accumulated other comprehensive loss and reclassified into earnings as the underlying hedged item affects earnings. When applicable, the Company formally documents the relationship between hedging instruments and hedged items. Also when applicable, the Company formally assesses at the inception of the hedge and on a quarterly basis, whether the derivative is highly effective in offsetting changes in cash flows of the hedged item. Any portion of the change in fair value of the derivative associated with hedge ineffectiveness is included in current earnings. For fiscal 2012, 2011 and 2010, the Company's interest rate swap was determined to have no ineffectiveness.

i. Deferred Financing Costs

Deferred financing costs are amortized to interest expense over the term of the related debt agreement. Amortization expense of deferred financing costs in fiscal 2012, 2011 and 2010 was $105,000, $170,000 and $196,000, respectively. In connection with debt extinguishments, in fiscal 2012, 2011 and 2010 the Company wrote off $22,000, $37,000 and $51,000, respectively, of unamortized deferred financing costs (see Note 10). In connection with its new credit facility entered into on November 1, 2012, the Company incurred approximately $825,000 in deferred financing costs, of which $61,000 was paid in fiscal 2012 (see Note 9).

Estimated amortization expense of the Company's deferred financing costs as of September 30, 2012 plus those incurred in November 2012, for the next five fiscal years, is as follows (in thousands):

Fiscal Year	
2013	$173
2014	165
2015	165
2016	165
2017	165

j. Deferred Rent

Rent expense on operating leases, including rent holidays and scheduled rent increases, is recorded on a straight-line basis over the term of the lease commencing on the date the Company takes possession of the leased property, which is generally four to six weeks prior to a store's opening date. The net excess of rent expense over the actual cash paid has been recorded as a deferred rent liability in the accompanying Consolidated Balance Sheets. Tenant improvement allowances received from landlords are also included in the accompanying Consolidated Balance Sheets as deferred rent liabilities and are amortized as a reduction of rent expense over the term of the lease from the possession date.

k. Treasury (Reacquired) Shares

Shares repurchased are retired and treated as authorized but unissued shares, with the cost in excess of par value of the reacquired shares charged to additional paid-in capital and the par value charged to common stock.

l. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, trade receivables and accounts payable approximate fair value due to the short-term nature of those instruments. The majority of the Company's long-term debt bears interest at variable rates, which adjust based on market conditions, and the carrying value of the long-term debt approximates fair value. The fair value of the Company's debt was determined using a discounted cash flow analysis based on interest rates currently available to the Company or for similar instruments available to companies with comparable credit quality. A significant portion of the Company's floating rate interest risk on variable rate long-term debt was mitigated through an interest rate swap agreement that expired on April 18, 2012. As of September 30, 2011, the estimated fair value of the interest rate swap was an unrealized loss of $(145,000).

m. Revenue Recognition, Sales Returns and Allowances

Revenue is recognized at the point of sale for retail store sales, including leased department sales, or when merchandise is delivered to customers for licensed product and Internet sales, and when

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merchandise is shipped to international franchisees. A liability is established for the retail value of gift cards sold and merchandise credits issued. The liability is relieved and revenue is recognized when gift cards or merchandise credits are redeemed by customers as tender for merchandise purchased. Allowances for returns are recorded as a reduction of revenue, based on the Company's historical experience. Revenues are recorded net of applicable sales taxes.

n. Other Revenues

Included in net sales are revenues earned by the Company through a variety of marketing partnership programs utilizing the Company's opt-in customer database and various in-store marketing initiatives, focused on baby and parent-related products and services. Revenue from marketing partnership programs is recognized when goods or services are provided. Also included in net sales are fees and royalties related to international franchise agreements. Franchise fees are earned by the Company when all material services or conditions related to the franchise agreement have been substantially performed or satisfied and royalties are earned based on net sales of the Company's international franchisees and may include minimum guaranteed royalties.

o. Cost of Goods Sold

Cost of goods sold in the accompanying Consolidated Statements of Income includes: merchandise costs (including customs duty expenses), expenses related to inventory shrinkage, product-related corporate expenses (including expenses related to payroll, benefit costs and operating expenses of the Company's buying departments), inventory reserves (including lower of cost or market reserves), inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and the other costs of the Company's distribution network.

p. Shipping and Handling Fees and Costs

The Company includes shipping and handling revenue earned from its Internet activities in net sales. Shipping and handling costs, which are included in cost of goods sold in the accompanying Consolidated Statements of Income, include shipping supplies, related labor costs and third-party shipping costs.

q. Selling, General and Administrative Expenses

Selling, general and administrative expenses in the accompanying Consolidated Statements of Income include advertising and marketing expenses, corporate administrative expenses, store expenses (including store payroll and store occupancy expenses), and store opening expenses.

r. Advertising Costs

The Company expenses the costs of advertising when the advertising first occurs. Advertising expenses, including Internet advertising expenses, were $13,878,000, $11,712,000 and $12,147,000 in fiscal 2012, 2011 and 2010, respectively.

s. Stock-based Compensation

The Company recognizes employee stock-based compensation as a cost in the accompanying Consolidated Statements of Income. Stock-based awards are measured at the grant date fair value and are recorded generally on a straight-line basis over the vesting period, net of estimated forfeitures. Excess tax benefits related to stock option exercises and restricted stock vesting, which are recognized in stockholders' equity, are reflected as financing cash inflows.

t. Store Closing, Asset Impairment and Asset Disposal Expenses

Store closing expenses include lease termination fees, gains or losses on disposal of closed store assets and recognition of unamortized deferred rent. Asset impairment expenses represent losses recognized to reduce the carrying value of impaired long-lived assets. Asset disposal expenses represent gains or losses on disposal of assets other than in connection with store closings, including assets disposed from remodeling or relocation of stores.

u. Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities as well as from net operating loss carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Under the accounting standard for uncertain income tax positions, recognition of a tax benefit occurs when a tax position is estimated by management to be more likely than not to be sustained upon examination, based solely on its technical merits. Derecognition of a previously recognized tax position would occur if it is subsequently determined that the tax position no longer meets the more-likely-than-not threshold of being sustained. Recognized tax positions are measured at the largest amount that management believes has a greater than 50% likelihood of being finalized. The Company records interest and penalties related to unrecognized tax benefits in income tax provision.

v. Net Income per Share and Cash Dividends

Basic net income (or earnings) per share ("Basic EPS") is computed by dividing net income by the weighted average number of common shares outstanding, excluding restricted stock awards for which the restrictions have not lapsed. Diluted net income per share ("Diluted EPS") is computed by dividing net

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income by the weighted average number of common shares outstanding, after giving effect to the potential dilution, if applicable, from the assumed lapse of restrictions on restricted stock awards and exercise of stock options into shares of common stock as if those stock options were exercised. Common shares issuable in connection with the award of performance-based restricted stock units ("RSUs") are excluded from the calculation of EPS until the RSUs' performance conditions are achieved and the shares in respect of the RSUs become issuable (see Note 14).

The following table summarizes those effects for the diluted net income per share calculation (in thousands, except per share amounts):

	Year Ended September 30,		
	2012	2011	2010
Net income	$19,372	$22,988	$16,829
Net income per share—Basic	$ 1.48	$ 1.79	$ 1.37
Net income per share—Diluted	$ 1.46	$ 1.75	$ 1.33
Average number of shares outstanding—Basic	13,096	12,820	12,304
Incremental shares from the assumed exercise of outstanding stock options	122	239	316
Incremental shares from the assumed lapse of restrictions on restricted stock awards	49	61	71
Average number of shares outstanding—Diluted	13,267	13,120	12,691

In addition to performance-based RSUs, for fiscal 2012, 2011 and 2010, stock options and unvested restricted stock totaling approximately 321,000, 164,000 and 292,000 shares, respectively, were excluded from the calculation of Diluted EPS as their effect would have been antidilutive.

On January 26, 2011, the Company announced the initiation of a regular quarterly cash dividend. During fiscal 2012 and 2011 the Company paid cash dividends totaling $9,325,000 ($0.70 per share) and $6,901,000 ($0.525 per share), respectively. On November 8, 2012 the Company declared a quarterly cash dividend of $0.175 per share payable on December 28, 2012, which will require approximately $2,400,000 of available cash.

w. Statements of Cash Flows

In fiscal 2012, 2011 and 2010, the Company paid interest, including payments made on its interest rate swap agreement (see Note 10), of $1,359,000, $2,266,000 and $3,414,000, respectively, and made income tax payments, net of refunds, of $7,432,000, $9,804,000 and $2,357,000, respectively.

x. Business and Credit Risk

Financial instruments, primarily cash and cash equivalents and trade receivables, potentially subject the Company to concentrations of credit risk. The Company limits its credit risk associated with cash and cash equivalents by placing such investments in highly liquid funds and instruments. Trade receivables associated with third-party credit cards are processed by financial institutions, which are monitored for financial stability. Trade receivables associated with licensed, leased department and other relationships are evaluated for collectibility based on a combination of factors, including aging of trade receivables, write-off experience and past payment trends. The Company is dependent on key suppliers to provide sufficient quantities of inventory at competitive prices. No single supplier represented 10% or more of net purchases in fiscal 2012, 2011 or 2010. A significant majority of the Company's purchases during fiscal 2012, 2011 and 2010 were imported. Management believes that any event causing a disruption of imports from any specific country could be mitigated by moving production to readily available alternative sources.

y. Insurance

The Company is self-insured for workers' compensation, general liability and automotive liability claims, and employee-related health care benefits, up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported claims. Further, the Company utilizes a cooperative arrangement with a number of other companies to assist in managing certain workers' compensation and general liability insurance risks for loss occurences prior to March 1, 2010. The Company's expenses associated with this relationship could be impacted by the loss history associated with the cooperative as a whole. Liabilities associated with these risks are estimated by considering historical claims experience and other actuarial assumptions.

z. Store Preopening Costs

Non-capital expenditures, such as payroll costs incurred prior to the opening of a new store, are charged to expense in the period in which they were incurred.

aa. Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU No. 2011-05 requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of stockholders' equity. The standard does not change the items which must be reported in other

Source: Destination Maternity Corp, XBRL, 12/14/2012 | Powered by Intelligize

comprehensive income. ASU No. 2011-05 is effective for financial statements issued for annual reporting periods beginning after December 15, 2011 and interim periods within those years. Because this guidance impacts presentation only, the adoption of the new requirements of ASU No. 2011-05 will not have any impact on the Company's consolidated financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in ASU No. 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs and change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 is effective during interim and annual periods beginning after December 15, 2011. The adoption of the new requirements of ASU No. 2011-04 did not have any impact on the Company's consolidated financial position or results of operations.

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Notes to Financial Statements - Trade Receivables

Trade Receivables	12 Months Ended
	Sep. 30, 2012
Trade Receivables [Abstract]	
TRADE RECEIVABLES	**3. TRADE RECEIVABLES** Trade receivables are recorded based on revenue recognized for sales of the Company's merchandise and for other revenue earned by the Company through its marketing partnership programs and international franchise agreements, and are non-interest bearing. The Company evaluates the collectability of trade receivables based on a combination of factors, including aging of trade receivables, write-off experience, analysis of historical trends and expectations of future performance. An allowance for doubtful accounts is recorded for the amount of trade receivables that are considered unlikely to be collected. When the Company's collection efforts are unsuccessful, uncollectible trade receivables are charged against the allowance for doubtful accounts. As of September 30, 2012 and 2011, the Company's trade receivables were net of allowance for doubtful accounts of $201,000 and $156,000, respectively.

Notes to Financial Statements - Inventories

Inventories	12 Months Ended
	Sep. 30, 2012
Inventories [Abstract]	
INVENTORIES	**4. INVENTORIES** Inventories as of September 30 were comprised of the following (in thousands):

	2012	2011
Finished goods	$ 82,795	$ 83,726
Work-in-progress	2,804	2,381
Raw materials	3,155	4,259
	$ 88,754	$ 90,366

Source: Destination Maternity Corp, XBRL, 12/14/2012 | Powered by Intelligize

Notes to Financial Statements - Property, Plant and Equipment, Net

Property, Plant and Equipment, Net	12 Months Ended Sep. 30, 2012
Property, Plant and Equipment, Net [Abstract]	
PROPERTY, PLANT AND EQUIPMENT, NET	5. PROPERTY, PLANT AND EQUIPMENT, NET Property, plant and equipment as of September 30 was comprised of the following (in thousands):

	2012	2011
Land	$ 1,400	$ 1,400
Building and improvements	15,843	15,465
Furniture and equipment	69,504	69,919
Leasehold improvements	84,702	91,927
	171,449	178,711
Less: accumulated depreciation and amortization	(120,371)	(122,857)
	$ 51,078	$ 55,854

Aggregate depreciation and amortization expense of property, plant and equipment in fiscal 2012, 2011 and 2010 was $12,303,000, $12,634,000 and $12,798,000, respectively. During fiscal 2012, 2011 and 2010, the Company recorded pretax charges of $1,875,000, $759,000 and $1,863,000, respectively, related to the impairment of leasehold improvements and furniture and equipment at certain of its retail locations.

Notes to Financial Statements - Restructuring and Other Charges

Restructuring and Other Charges	12 Months Ended Sep. 30, 2012
Restructuring And Other Charges [Abstract]	
RESTRUCTURING AND OTHER CHARGES	(see below)

6. RESTRUCTURING AND OTHER CHARGES

In July 2008, the Company commenced a significant restructuring and cost reduction program, with the objectives of streamlining its merchandise brands and store nameplates, continuing to improve and simplify critical processes and continuing to reduce its expense structure. The Company completed the planned activities of these initiatives in fiscal 2010 and incurred $3,884,000 of pretax expense substantially related to these initiatives in fiscal 2010, primarily for consulting services.

A summary of the charges incurred and reserves recorded in connection with the restructuring, cost reduction and other initiatives during fiscal 2011 and 2010 is as follows (in thousands):

	Balance Accrued September 30, 2010	Year Ended September 30, 2011 Charges Incurred	Year Ended September 30, 2011 Payments	Balance Accrued September 30, 2011	Cumulative Charges Incurred to September 30, 2011
Severance and related benefits	$ 159	$ —	$ (159)	$ —	$ 1,371
Cost reduction and other initiatives	106	—	(106)	—	5,006
Total	$ 265	$ —	$ (265)	$ —	$ 6,377

	Balance Accrued September 30, 2009	Year Ended September 30, 2010 Charges Incurred	Year Ended September 30, 2010 Payments	Balance Accrued September 30, 2010
Severance and related benefits	$ 37	$ 323	$ (201)	$ 159
Cost reduction and other initiatives	638	3,561	(4,093)	106
Total	$ 675	$ 3,884	$ (4,294)	$ 265

After his retirement on September 30, 2008, Dan Matthias, the Company's former Chief Executive Officer ("Former CEO"), agreed to continue to serve the Company as a director and as non-executive Chairman of the Board of Directors (the "Board"), and agreed to remain available to the Company in an advisory capacity through September 2012. For these services, the Company agreed to pay the Former CEO an annual retainer of $200,000 through September 2012. In November 2009, the Former CEO entered into a letter agreement with the Company, which confirmed that he would not seek reelection to the Board (and, therefore, would no longer serve as the Company's non-executive Chairman of the Board) after the expiration of his term in January 2010. The letter agreement did not change the terms of payment under the annual retainer for advisory services, however the Company incurred a pretax charge of $585,000, representing the amount due for the remaining term of the arrangement, in fiscal 2010.

In connection with the retirement of Rebecca Matthias, the Company's former President and Chief Creative Officer, at the end of fiscal 2010, the Company incurred a pretax charge of $888,000 in fiscal 2010. The charge reflects benefit costs related to an amendment to the executive's supplemental retirement agreement with the Company (see Notes 17 and 18).

In April 2011, the Company announced the hiring of Chris Daniel as the Company's President effective June 1, 2011. In connection with the search and hiring of a new President, the Company incurred pretax charges of $193,000 in fiscal 2011 for relocation costs, and $301,000 in fiscal 2010, primarily related to executive recruiting costs.

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Notes to Financial Statements - Accrued Expenses and Other Current Liabilities

Accrued Expenses and Other Current Liabilities	12 Months Ended Sep. 30, 2012
Accrued Expenses and Other Current Liabilities [Abstract]	
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES As of September 30, accrued expenses and other current liabilities were comprised of the following (in thousands):

	2012	2011
Employee compensation and benefits	$ 5,918	$ 6,526
Insurance, primarily self insurance reserves	5,341	4,558
Gift certificates and store credits	4,194	4,423
Deferred rent	3,599	3,567
Sales taxes	3,097	3,065
Product return reserve	2,225	2,083
Income taxes payable	1,350	—
Accounting and legal	1,215	1,495
Supplemental executive retirement plan benefits	150	600
Other	8,455	7,363
	$35,544	$33,680

Notes to Financial Statements - Deferred Rent and Other Non Current Liabilities

Deferred Rent and Other Non Current Liabilities	12 Months Ended Sep. 30, 2012
Deferred Rent And Other Non-Current Liabilities [Abstract]	
DEFERRED RENT AND OTHER NON-CURRENT LIABILITIES	**8. DEFERRED RENT AND OTHER NON-CURRENT LIABILITIES** As of September 30, deferred rent and other non-current liabilities were comprised of the following (in thousands):

	2012	2011
Deferred rent	$21,245	$23,132
Less: current portion included in accrued expenses and other current liabilities	(3,599)	(3,567)
Non-current deferred rent	17,646	19,565
Accrued income taxes	4,063	2,591
Interest rate swap	—	145
Supplemental executive retirement plan benefits	—	132
Other	175	166
	$21,884	$22,599

Notes to Financial Statements - Line of Credit

Line of Credit	12 Months Ended
	Sep. 30, 2012
Line of Credit [Abstract]	
LINE OF CREDIT	**9. LINE OF CREDIT** On November 1, 2012, the Company entered into a five-year $61,000,000 senior secured revolving credit facility (the "Credit Facility"), which replaced the Company's former $55,000,000 credit facility. The Credit Facility consists of two tranches: (a) a senior secured revolving credit and letter of credit facility of up to $55,000,000, ("Tranche A") and (b) a senior secured first-in, last-out revolving credit facility of up to $6,000,000 ("Tranche A-1"). The Credit Facility will mature on November 1, 2017. Upon the Company's request and with the consent of the lender, permitted borrowings under Tranche A may be increased up to an additional $15,000,000, in increments of $2,500,000, up to a Tranche A maximum limit of $70,000,000. Proceeds from advances under the Credit Facility, with certain restrictions, may be used to repay existing term loan or other debt (see Note 10), and to provide financing for working capital, letters of credit, capital expenditures, dividends, share repurchases and other general corporate purposes. The Credit Facility contains various affirmative and negative covenants and representations and warranties. Under the Credit Facility, the Company is required to maintain minimum Excess Availability (as defined in the related Credit Facility agreement) equal to 10% of the Borrowing Base (as defined in the related Credit Facility agreement). The Credit Facility is secured by a security interest in the Company's trade receivables, inventory, real estate interests, letter of credit rights, cash, intangibles and certain other assets. The interest rate on outstanding borrowings is equal to, at the Company's election, either (i) the lender's base rate plus the applicable margin, or (ii) a LIBOR rate plus the applicable margin. The applicable margin for base rate borrowings is 0.50% for Tranche A borrowings and 2.00% for Tranche A-1 borrowings. The applicable margin for LIBOR rate borrowings is 1.50% for Tranche A borrowings and 3.00% for Tranche A-1 borrowings. Tranche A-1 borrowings are deemed to be the first loans made and the last loans repaid. The Company also pays an unused line fee under the Credit Facility of 0.25% per annum. Any amounts outstanding under the Credit Facility may be accelerated and become due and payable immediately and all loan and letter of credit commitments thereunder may be terminated upon an event of default and expiration of any applicable cure period. Events of default include: (i) nonpayment of obligations due under the Credit Facility, (ii) failure to perform any covenant or agreement contained in the Credit Facility, (iii) material misrepresentations, (iv) failure to pay, or certain other defaults under, other material indebtedness of the Company, (v) certain bankruptcy or insolvency events, (vi) a change of control, (vii) material uninsured losses, (viii) indictments of the Company or senior management in a material forfeiture action, and (ix) customary ERISA defaults, among others. As of September 30, 2012, if the new Credit Facility had been in place at that date, Tranche A borrowings under the Credit Facility would have resulted in interest at a rate between approximately 1.72% and 3.75% per annum, and Tranche A-1 borrowings under the Credit Facility would have resulted in interest at a rate between approximately 3.22% and 5.25% per annum. In connection with the execution of the Credit Facility, the Company incurred deferred financing costs of approximately $825,000, of which $61,000 were paid in fiscal 2012. These deferred financing costs will be amortized over the term of the Credit Facility agreement and included in "interest expense, net" in the Consolidated Statements of Income. Prior to entering into the Credit Facility, the Company had a senior secured revolving credit facility (the "Prior Credit Facility"), which was amended on July 25, 2011 to decrease the maximum available for borrowings from $65,000,000 to $55,000,000 and to extend its maturity date from March 13, 2012 to January 13, 2013. The amendment also increased the Company's effective interest rate on borrowings, if any, by approximately 0.75% per annum. Proceeds from advances under the Prior Credit Facility, subject to certain restrictions, could be used to provide financing for working capital, letters of credit, capital expenditures, debt prepayments, dividends, share repurchases and other general corporate purposes. The Company paid certain closing fees in connection with the negotiation and execution of the Prior Credit Facility, as amended. The Company also paid an unused line fee under the Prior Credit Facility. The Prior Credit Facility contained various affirmative and negative covenants and representations and warranties. There were no financial covenant requirements under the Prior Credit Facility unless Excess Availability (as defined in the related Prior Credit Facility agreement) fell below 10% of the Borrowing Base (as defined in the related Prior Credit Facility agreement). Since the inception of the Prior Credit Facility, the Company exceeded the applicable excess availability requirements under the Prior Credit Facility and was not subject to any financial covenants. The Prior Credit Facility was secured by a security interest in the Company's trade receivables, inventory, real estate interests, letter of credit rights, cash, intangibles and certain other assets. The security interest granted to the Prior Credit Facility lender was, in certain respects, subordinate to the security interest granted to the Company's Term Loan lenders (see Note 10). The interest rate on outstanding borrowings was equal to, at the Company's election, either (i) the lender's prime rate plus the applicable margin, or (ii) a LIBOR rate plus the applicable margin. From July 25, 2011, the applicable margin for prime rate borrowings was variable, ranging from 0.75% to 1.25%, based upon the availability calculation made in accordance with the Prior Credit Facility. Prior to July 25, 2011 there was no applicable margin for prime rate borrowings. The applicable margin for LIBOR rate borrowings was variable, ranging

from 1.75% to 2.25% (1.00% to 1.50% prior to July 25, 2011), based upon the availability calculation made in accordance with the Prior Credit Facility. The applicable margin for both prime rate and LIBOR rate borrowings, based upon the availability calculation made in accordance with the agreement, was the lowest available margin since the inception of the Prior Credit Facility.

As of September 30, 2012, the Company had no outstanding borrowings under the Prior Credit Facility and $7,084,000 in letters of credit, with $47,916,000 of availability under the Prior Credit Facility. As of September 30, 2011, the Company had no outstanding borrowings under the Prior Credit Facility and $7,459,000 in letters of credit, with $47,541,000 of availability under the Prior Credit Facility. As of November 1, 2012, $6,934,000 of letters of credit outstanding under the Prior Credit Facility were in the process of being replaced with letters of credit issued under the new Credit Facility. On November 1, 2012, the Company deposited $7,142,000 with the agent bank for the Prior Credit Facility as cash collateral during the transition process. A prorata portion of the cash collateral will be released to the Company after each of the original letters of credit are returned to the agent bank and cancelled. Borrowings under the Prior Credit Facility as of September 30, 2012 would have borne interest at a rate of between approximately 1.97% and 4.00% per annum. During fiscal 2012 and 2011 the Company did not have any direct borrowings under the Prior Credit Facility. During fiscal 2010, the Company’s average level of direct borrowings under the Prior Credit Facility was $403,000, and the Company’s maximum borrowings at any time were $6,200,000.

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Notes to Financial Statements - Long Term Debt

Long Term Debt	12 Months Ended
	Sep. 30, 2012
Long-Term Debt [Abstract]	
LONG-TERM DEBT	(see below)

10. LONG-TERM DEBT

The following table summarizes the Company's long-term debt as of September 30 (in thousands):

	2012	2011
Senior secured Term Loan B, interest is variable (4.25% as of September 30, 2012), principal of $225 due quarterly through December 31, 2012 with the remaining balance due March 13, 2013 (remaining balance of $13,427 was prepaid on November 1, 2012)	$ 13,427	$29,327
Industrial Revenue Bond, interest is variable (0.45% as of September 30, 2012), principal due annually until September 1, 2020 (collateralized in full by a standby letter of credit)	1,830	2,015
	15,257	31,342
Less: current portion	(15,257)	(2,915)
	$ —	$28,427

As of September 30, 2012, the Company had a Term Loan and Security Agreement (the "Term Loan Agreement") for a senior secured Term Loan B due March 13, 2013 (the "Term Loan"), the $90,000,000 proceeds of which were received on April 18, 2007. On November 1, 2012, the Company prepaid the remaining Term Loan balance of $13,427,000 in connection with the execution of its new Credit Facility (see Note 9). The interest rate on the Term Loan was equal to, at the Company's election, either (i) the prime rate plus 1.00%, or (ii) a LIBOR rate plus an applicable margin. The applicable margin was initially fixed at 2.50% through and including the fiscal quarter ended September 30, 2007. Thereafter, the applicable margin for LIBOR rate borrowings was either 2.25% or 2.50%, depending on the Company's Consolidated Leverage Ratio (as defined in the Term Loan Agreement). Based upon the Company's applicable quarterly Consolidated Leverage Ratios, the applicable margin for LIBOR rate borrowings was 2.50% prior to December 30, 2009 and was reduced to 2.25% effective from December 30, 2009. The Company was required to make minimum repayments of the principal amount of the Term Loan in quarterly installments of $225,000 each. The Company was also required to make an annual principal repayment equal to 25% or 50% of Excess Cash Flow (as defined in the Term Loan Agreement) in excess of $5,000,000 for each fiscal year, with the 25% or 50% factor depending on the Company's Consolidated Leverage Ratio. There was no required principal repayment related to fiscal 2011 results. The Term Loan could be prepaid at the Company's option, in part or in whole, at any time without any prepayment premium or penalty. During fiscal 2012, 2011 and 2010, the Company prepaid $15,000,000, $12,623,000 (including a $2,623,000 prepayment required under the annual excess cash flow provision of the Term Loan), and $11,000,000 (including a $5,765,000 prepayment required under the annual excess cash flow provision of the Term Loan), respectively, of the outstanding Term Loan. At September 30, 2012, the Company's indebtedness under the Term Loan Agreement was $13,427,000, which was prepaid on November 1, 2012 as described above.

The Term Loan was secured by a security interest in the Company's trade receivables, inventory, real estate interests, letter of credit rights, cash, intangibles and certain other assets. The security interest granted to the Term Loan lenders was, in certain respects, subordinate to the security interest granted to the Prior Credit Facility lender. The Term Loan Agreement imposed certain restrictions on the Company's ability to, among other things, incur additional indebtedness, pay dividends, repurchase stock, and enter into other various types of transactions. The Term Loan Agreement also contained quarterly financial covenants that required the Company to maintain a specified maximum permitted Consolidated Leverage Ratio and a specified minimum permitted Consolidated Interest Coverage Ratio (as defined in the Term Loan Agreement). Since the inception of the Term Loan, the Company was in compliance with all covenants of its Term Loan Agreement.

In order to mitigate the Company's floating rate interest risk on the variable rate Term Loan, the Company entered into an interest rate swap agreement with the agent bank for the Term Loan that commenced on April 18, 2007, the date the $90,000,000 Term Loan proceeds were received, and expired on April 18, 2012. The interest rate swap agreement enabled the Company to effectively convert an amount of the Term Loan (equal to the notional amount of the interest rate swap) from a floating interest rate (LIBOR plus 2.50% prior to December 30, 2009, reduced to LIBOR plus 2.25% effective from December 30, 2009, based on the Company's specified leverage ratios), to a fixed interest rate (7.50% prior to December 30, 2009, reduced to 7.25% effective from December 30, 2009, based on the Company's specified leverage ratios) for a significant portion of the Term Loan. The notional amount of the interest rate swap was $75,000,000 at the inception of the swap agreement and decreased over time to a notional amount of $5,000,000 at the expiration date of April 18, 2012. As of September 30, 2011 the estimated fair value of the interest rate swap was an unrealized loss of $(145,000), which was included in "deferred rent and other non-current liabilities" in the accompanying Consolidated Balance Sheet. During the years ended

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September 30, 2012, 2011 and 2010, pretax losses of $(144,000), $(808,000) and $(1,514,000), respectively, associated with the exchange of interest rate payments under the swap agreement were included as "interest expense" in the accompanying Consolidated Statements of Income.

In connection with the issuance of the Term Loan and amendments of the Prior Credit Facility (see Note 9), the Company incurred deferred financing costs of $1,112,000. These deferred financing costs were being amortized over the term of the related debt agreement and are included in "interest expense" in the accompanying Consolidated Statements of Income.

The Company has $1,830,000 and $2,015,000 outstanding under an Industrial Revenue Bond ("IRB") at September 30, 2012 and 2011, respectively. The IRB has a variable interest rate that may be converted to a fixed interest rate at the option of the Company. At any time prior to conversion to a fixed interest rate structure, bondholders may put back to the Company (i.e. require the Company to repurchase) all or part of the IRB upon notice to the bond trustee, after which the remarketing agent would attempt to resell to third parties the put portion of the IRB. If the remarketing agent is unsuccessful in reselling the put portion of the IRB, the bond trustee may then draw on a letter of credit issued under the Credit Facility to repurchase the put bonds from bondholders on the Company's behalf. Pursuant to this arrangement, the IRB is classified as a current liability in the accompanying Consolidated Balance Sheets at September 30, 2012 and 2011. During fiscal 2012 and 2011 bondholders put $1,415,000 and $100,000, respectively, of the IRB back to the Company, and these put bonds were successfully resold by the remarketing agent to third parties. The letter of credit issued to secure the bonds has never been drawn upon.

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Notes to Financial Statements - Fair Value Measurements

Fair Value Measurements	12 Months Ended
	Sep. 30, 2012
Fair Value Measurements [Abstract]	
FAIR VALUE MEASUREMENTS	**11. FAIR VALUE MEASUREMENTS** The accounting standard for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a framework for measuring fair value focused on exit price and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements as follows: • Level 1—Quoted market prices in active markets for identical assets or liabilities • Level 2—Observable market-based inputs or inputs that are corroborated by observable market data • Level 3—Unobservable inputs that are not corroborated by market data At September 30, 2012 and 2011, the Company had cash equivalents of $19,462,000 and $11,976,000, respectively. The Company's cash equivalents consist of investments in money market funds for which the carrying value approximates fair value (based on Level 1 inputs) due to the short-term nature of those instruments. The carrying values of trade receivables and accounts payable approximate fair value due to the short-term nature of those instruments. The Company's long-term debt bears interest at variable rates, which adjust based on market conditions and the carrying value of the long-term debt approximates fair value. The fair value of the Company's debt was determined using a discounted cash flow analysis based on interest rates currently available to the Company, which the Company considers to be Level 2 inputs. A significant portion of the Company's floating rate interest risk on variable rate long-term debt was mitigated through an interest rate swap agreement that expired on April 18, 2012. The Company's interest rate swap was required to be measured at fair value on a recurring basis. At September 30, 2011, the interest rate swap was a liability with a fair value of $145,000, included in "deferred rent and other non-current liabilities" in the accompanying Consolidated Balance Sheet. The fair value of the interest rate swap was derived from a discounted cash flow analysis utilizing an interest rate yield curve that was readily available to the public, which the Company considered to be a Level 2 input. The fair value accounting standards provide a company with the option to report selected financial assets and liabilities on an instrument-by-instrument basis at fair value and requires such company to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. The Company has not elected the fair value option for its financial assets and liabilities that had not been previously measured at fair value.

Notes to Financial Statements - Common And Preferred Stock

Common And Preferred Stock	12 Months Ended
	Sep. 30, 2012
Equity [Abstract]	
COMMON AND PREFERRED STOCK	**12. COMMON AND PREFERRED STOCK** In July 2008, the Company's Board approved a program to repurchase up to $7,000,000 of the Company's outstanding common stock. Under the program, the Company may repurchase shares from time to time through solicited or unsolicited transactions in the open market or in negotiated or other transactions. In July 2012, the Company's Board extended its authorization of the program from July 31, 2012 to July 31, 2014, and increased the amount of the Company's outstanding stock authorized to be repurchased from $7,000,000 to $10,000,000. The Company has authorization to issue up to 1,656,381 shares of preferred stock, par value $0.01, with 300,000 shares authorized for Series B Junior Participating Preferred Stock ("Series B Preferred Stock"). There was no preferred stock issued or outstanding as of September 30, 2012 or 2011. The Series B Preferred Stock can be purchased in units equal to one one-thousandth of a share (the "Series B Units") under the terms of the Rights Agreement (see Note 13). The holders of the Series B Units are entitled to receive dividends when and if declared on common stock. Series B Units are junior to the common stock for both dividends and liquidations. Each Series B Unit votes as one share of common stock.

Notes to Financial Statements - Rights Agreement

Rights Agreement	12 Months Ended
	Sep. 30, 2012
Rights Agreement [Abstract]	
RIGHTS AGREEMENT	**13. RIGHTS AGREEMENT** In October 2005, the Company entered into an Amended and Restated Rights Agreement to renew its then existing Rights Agreement (collectively referred to as the "Rights Agreement") that would otherwise have expired in October 2005. Under the Rights Agreement, the Company provided and will provide one Right (the "Right") for each share of Destination Maternity Corporation common stock now or hereafter outstanding. Under certain limited conditions, as defined in the Rights Agreement, each Right entitles the registered holder to purchase from the Company one Series B Unit at $85 per share, subject to adjustment. The Rights expire on October 9, 2015 (the "Final Expiration Date"). The Rights Agreement provides the independent directors of the Company with some discretion in determining when the Distribution Date (as defined in the Rights Agreement) shall occur and the date until which the Rights may be redeemed. In addition, the Rights Agreement exempts from its operation any person that acquires, obtains the right to acquire, or otherwise obtains beneficial ownership of 15.0% or more of the then outstanding shares of the Company's common stock (an "Acquiring Person") without any intention of changing or influencing control of the Company provided that such person, as promptly as practicable, divests himself or itself of a sufficient number of shares of common stock so that such person would no longer be an Acquiring Person. The Rights are not exercisable until the Distribution Date, which will occur upon (i) the earlier of ten business days following a public announcement that an Acquiring Person has acquired beneficial ownership of 15.0% or more of the Company's outstanding common stock, and ten business days following the commencement of a tender offer or exchange offer that would result in a person or group owning 15.0% or more of the Company's outstanding common stock, or (ii) such later date as may be determined by action of a majority of the independent directors. The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on the redemption of the Rights. The Rights can be mandatorily redeemed by action of a majority of the independent directors at any time prior to the earlier of the Final Expiration Date and the Distribution Date for $0.01 per Right. Upon exercise and the occurrence of certain events, as defined in the Rights Agreement, each holder of a Right, except the Acquiring Person, will have the right to receive Series B Units, or common stock of the acquiring company, in each case having a value equal to two times the exercise price of the Right.

Notes to Financial Statements - Equity Award Plans

Equity Award Plans	12 Months Ended Sep. 30, 2012
Equity Award Plans [Abstract]	
EQUITY AWARD PLANS	(see below)

14. EQUITY AWARD PLANS

The Company has three equity award plans: the 1994 Director Stock Option Plan (the "Director Plan"), the Amended and Restated 1987 Stock Option Plan (the "1987 Plan") and the Amended and Restated 2005 Equity Incentive Plan (the "2005 Plan"). The Director Plan expired on December 31, 2004 and no further awards may be granted under the Director Plan. The 1987 Plan expired on December 9, 2007, and no further awards may be issued under the 1987 Plan. Options issued under the Director Plan and the 1987 Plan will remain outstanding until they have expired, been exercised or have otherwise terminated. Up to a total of 4,350,000 options were able to be issued under the 1987 Plan and the Director Plan (including up to a total of 400,000 options which were issuable under the Director Plan), but 521,354 of these options became unavailable for grant upon the expiration of the 1987 Plan on December 9, 2007 and the expiration of the Director Plan on December 31, 2004. In January 2006, the stockholders of the Company approved the adoption of the 2005 Plan and, in January 2009 and February 2011, approved amendments to increase the number of issuable shares. Under the 2005 Plan, employees, directors, consultants and other individuals who provide services to the Company, may be granted awards in the form of options, stock appreciation rights, restricted stock or restricted stock units. Up to 2,000,000 shares of the Company's common stock may be issued in respect of awards under the 2005 Plan, as amended, with no more than 1,000,000 of those shares permitted to be issued in respect of restricted stock or restricted stock units granted under the 2005 Plan. Awards of options to purchase the Company's common stock will have exercise prices as determined by the Compensation Committee of the Board (the "Compensation Committee"), but such exercise prices may not be lower than the fair market value of the stock on the date of grant.

No options have been granted by the Company with an exercise price less than the fair market value of the Company's common stock on the date of grant for any of the periods presented. The majority of the options issued under the plans vest ratably over four or five-year periods, although some options have both market price and time vesting requirements, and options issued under the plans generally expire ten years from the date of grant. Restricted stock awards issued under the 2005 Plan have restrictions that lapse ratably over periods ranging from one to five years. Each non-employee director of the Company's Board is granted 4,000 shares of restricted stock on an annual basis that will vest one year from the date of grant. The Company issues new shares of common stock upon exercise of vested options. As of September 30, 2012, there were 518,782 shares of the Company's common stock available for grant under the 2005 Plan, with no more than 286,745 of those shares permitted to be issued in respect of restricted stock or restricted stock units granted under the 2005 Plan.

Stock option activity for all plans was as follows:

	Outstanding Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (in thousands)
Balance—September 30, 2011	648	$ 11.60		
Granted	107	15.85		
Exercised	(135)	8.25		
Forfeited	(11)	15.59		
Expired	(2)	4.90		
Balance—September 30, 2012	607	$ 13.05	6.9	$ 3,872
Exercisable—September 30, 2012	202	$ 10.16	4.9	$ 1,815

During the years ended September 30, 2012, 2011 and 2010, the total intrinsic value of options exercised was $1,544,000, $9,659,000 and $4,452,000, respectively. The total cash received from these option exercises was $107,000, $2,285,000 and $1,369,000, respectively, and the actual tax benefit realized for the tax deductions from these option exercises was $580,000, $3,617,000 and $1,671,000, respectively. During fiscal 2012, 2011 and 2010, options to purchase 119,600, 368,800 and 443,900 shares of common stock, respectively, with aggregate exercise prices of $1,007,000, $2,428,000 and $2,552,000, respectively, were exercised by the option holders and net-share settled by the Company, such that the Company withheld 51,041, 109,926 and 220,359 shares of the Company's common stock, respectively, which had a fair market value equal to the aggregate exercise prices of the options.

In September 2008, the Company granted two stock options under the 2005 Plan to an executive officer, each to purchase 200,000 shares of common stock at an exercise price of $6.87 per share (see Note 17). The first stock option vests ratably over a five-year period. The second stock option vests ratably over a five-year period and was subject to the further condition that, on or before the fifth anniversary of the grant date, the closing price for a share of the Company's common stock shall have exceeded $15.00 for a period of 30 consecutive trading days. In January 2010, the Company granted stock options under the 2005 Plan to three executive officers, to purchase a combined total of 120,000 shares of common stock at an

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exercise price of $11.89 per share. The stock options vest ratably over a five-year period and were subject to the further condition that, on or before the fifth anniversary of the grant date, the closing price for a share of the Company's common stock shall have exceeded $15.00 for a period of 30 consecutive trading days. On November 4, 2010, the conditions that the Company's common stock shall have exceeded $15.00 for a period of 30 consecutive trading days were satisfied.

The weighted average fair value of stock options granted during fiscal 2012, 2011 and 2010 was estimated to be $6.17, $9.69 and $7.61 per option share, respectively. The weighted average fair value of each option granted is calculated on the date of grant using the Black-Scholes option pricing model for most option grants and a Monte Carlo simulation option pricing model for the fiscal 2010 grants that included a market price condition. Weighted-average assumptions for option grants were as follows:

	Year Ended September 30,		
	2012	2011	2010
Expected dividend yield	4.5%	3.2%	none
Expected price volatility	63.0%	62.5%	62.9%
Risk-free interest rate	1.0%	2.4%	2.7%
Expected life	5.5 years	5.8 years	6.5 years

Expected dividend yield was determined using a weighted average of the Company's annualized dividend rate compared to the market price of the Company's common stock as of the grant date. Expected volatility was determined using a weighted average of the historic volatility of the Company's common stock as of the option grant date measured over a period equal to the expected life of the grant. Risk-free interest rates were based on the United States Treasury yield curve in effect at the date of the grant. Expected lives were determined using a weighted average of the historic lives of previously issued grants of the Company's options.

The following table summarizes information about stock options outstanding as of September 30, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (in thousands)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable (in thousands)	Weighted Average Exercise Price
$ 3.52 to $ 5.00	18	6.1	$ 3.52	7	$ 3.52
5.01 to 6.00	14	3.2	5.01	14	5.01
6.01 to 6.50	21	2.7	6.45	21	6.45
6.51 to 7.00	170	5.8	6.87	90	6.87
7.01 to 12.00	109	7.1	11.78	11	10.87
12.01 to 22.00	169	7.8	16.91	38	16.36
22.01 to 22.13	106	8.4	22.13	21	22.13
$ 3.52 to $22.13	607	6.9	$ 13.05	202	$ 10.16

Restricted stock activity for the 2005 Plan was as follows:

	Outstanding Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested—September 30, 2011	210	$ 16.81
Granted	110	15.59
Vested	(86)	17.85
Forfeited	(19)	14.06
Nonvested—September 30, 2012	215	$ 16.02

In December 2011, the Compensation Committee established the performance goals for the award of performance-based RSUs for four executive officers, under the Amended and Restated Destination Maternity Corporation 2005 Equity Incentive Plan. The RSUs earned, if any, will be based on the Company's cumulative operating income, as reflected in the Company's financial statements, with respect to fiscal 2012 through and including fiscal 2014 (the "Performance Period") and will generally be further contingent on the continued employment of the executive officers with the Company, through the date on which the shares in respect of these RSUs, if any, are issued following the end of the Performance Period, and the achievement of a minimum level of operating income in fiscal 2014. Any dividends declared on the shares of the Company's common stock underlying the RSUs will be credited as additional RSUs based on the fair market value of the Company's common stock on the dividend payment date. The additional RSUs, if any, will be earned on the same terms as the original RSUs. The executive officers will earn a cumulative total of 19,531 RSUs, excluding RSUs from dividends declared, if the Company's cumulative operating income during the Performance Period equals or exceeds a threshold of $120,000,000, and will ratably earn up to a maximum cumulative total of 58,590 RSUs, excluding RSUs from dividends declared, if the Company's operating income during the Performance Period equals or exceeds $132,000,000.

As of September 30, 2012, $5,164,000 of total unrecognized compensation cost related to all non-vested equity awards is expected to be recognized over a weighted-average period of 1.6 years.

Source: Destination Maternity Corp, XBRL, 12/14/2012 | Powered by Intelligize

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During fiscal 2012, 2011 and 2010, certain stock option exercises and vesting restricted stock awards were net-share settled by the Company such that the Company withheld shares of the Company's common stock, which had a fair market value equivalent to the minimum statutory obligation for the applicable income and employment taxes for the awards, and the Company remitted the cash value to the appropriate taxing authorities. The total shares withheld, which were 30,849, 128,646 and 87,326, respectively, during fiscal 2012, 2011 and 2010, are reflected as repurchase of common stock in the accompanying financial statements, and were based on the value of the Company's common stock on the exercise or vesting date. The remaining shares, net of those withheld, were delivered to the award holders. Total payments for tax obligations to the tax authorities were $597,000, $2,786,000 and $960,000 for fiscal 2012, 2011 and 2010, respectively.

Notes to Financial Statements - Income Taxes

Income Taxes	12 Months Ended Sep. 30, 2012
Income Taxes [Abstract]	
INCOME TAXES	

15. INCOME TAXES

For the years ended September 30, the income tax provision was comprised of the following (in thousands):

	2012	2011	2010
Current provision	$13,874	$10,307	$13,315
Deferred (benefit) provision	(1,378)	2,679	(2,062)
	$12,496	$12,986	$11,253
Federal provision	$ 8,517	$12,047	$ 8,769
State provision	2,170	924	2,484
Foreign provision	1,809	15	—
	$12,496	$12,986	$11,253

A reconciliation of the statutory federal tax rate to the Company's effective income tax rates for the years ended September 30 follows:

	2012	2011	2010
Statutory federal tax rate	35.0%	35.0%	35.0%
State tax rate, net of federal benefit	2.7%	3.3%	2.4
Provision for (benefit from) uncertain income tax positions, net of federal effect	2.4	(1.5)	3.1
Other	(0.9)	(0.7)	(0.4)
	39.2%	36.1%	40.1%

The deferred tax effects of temporary differences giving rise to the Company's net deferred tax assets as of September 30 were as follows (in thousands):

	2012	2011
Deferred tax assets:		
Deferred rent	$ 7,981	$ 8,656
Employee benefit accruals	2,915	2,509
Depreciation and amortization	1,729	1,156
Stock-based compensation	733	652
Inventory reserves	637	685
Foreign tax credit carryforwards	447	—
Pension benefits	122	336
Other accruals	2,866	2,897
Other	1,322	1,378
	18,752	18,269
Deferred tax liability:		
Prepaid expenses	(528)	(564)
	$18,224	$17,705

No valuation allowance has been provided for the net deferred tax assets. Based on the Company's historical and projected levels of taxable income, management believes it is more likely than not that the Company will realize the net deferred tax assets as of September 30, 2012. There can be no assurance that the Company will generate taxable earnings or any specific level of earnings in the future.

The Company does not record state tax benefits associated with temporary differences for certain states in which it is operating, given the continued historical uncertainty related to realizing such state tax benefits. Had the state tax benefits been reflected for these states, the deferred tax assets (excluding state net operating loss carryforwards) as of September 30, 2012 would be approximately $658,000 higher.

The accounting standard for uncertain income tax positions clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements and also contains guidance on the measurement of uncertain tax positions.

A reconciliation of gross unrecognized tax benefits for uncertain tax positions for the years ended September 30 follows (in thousands):

	2012	2011	2010
Balance at beginning of year	$2,591	$ 3,830	$2,600
Additions for current year tax positions	1,377	203	1,147
Additions for prior year tax positions	266	154	485
Reductions of prior year tax positions	(20)	(1,104)	(402)
Settlements	(151)	(492)	—
Balance at end of year	$4,063	$ 2,591	$3,830

As of September 30, 2012, gross unrecognized tax benefits included accrued interest and penalties of $1,788,000. During fiscal 2012, 2011 and 2010, interest and penalties of $577,000, $(386,000), and $605,000, respectively, related to unrecognized tax benefits, were included in income tax provision. If recognized, the portion of the liability for unrecognized tax benefits that would impact the Company's effective tax rate was $3,000,000, net of federal tax benefit.

During the twelve months subsequent to September 30, 2012, it is reasonably possible that the gross unrecognized tax benefits could potentially increase by approximately $666,000 (of which approximately $508,000, net of federal benefit, would affect the effective tax rate) for uncertain tax positions, including the continued effect of interest on unrecognized tax benefits and limitations on certain potential tax credits, partially offset by the effect of expiring statutes of limitations and settlements.

The Company's United States Federal income tax returns for the years ended September 30, 2009 and thereafter remain subject to examination by the United States Internal Revenue Service. The Company also files returns in Canada, India and numerous United States state jurisdictions, which have varying statutes of limitations. Generally, Canadian tax returns for tax years ended September 30, 2007 and thereafter, Indian tax returns for tax years ended March 31, 2009 and thereafter, and United States state tax returns for tax years ended September 30, 2008 and thereafter, depending upon the jurisdiction, remain subject to examination. However, the statutes of limitations on certain of the Company's United States state returns remain open for tax years prior to fiscal 2008.

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Notes to Financial Statements - Commitments and Contingencies

Commitments and Contingencies	12 Months Ended Sep. 30, 2012
Commitments and Contingencies [Abstract]	
COMMITMENTS AND CONTINGENCIES	See note text below

16. COMMITMENTS AND CONTINGENCIES

The Company leases its retail facilities and certain equipment under various non-cancelable operating leases. Certain of these leases have renewal options. Total rent expense (including related occupancy costs, such as insurance, maintenance and taxes, paid to landlords) under operating leases amounted to $65,412,000, $67,496,000 and $69,839,000 in fiscal 2012, 2011 and 2010, respectively. Such amounts include contingent rentals based upon a percentage of sales totaling $1,428,000, $1,563,000 and $1,465,000 in fiscal 2012, 2011 and 2010, respectively.

Store operating and warehouse leases generally provide for payment of direct operating costs in addition to rent. Future annual minimum operating lease payments, excluding such direct operating costs, as well as leases for equipment rental as of September 30, 2012 are as follows (in thousands):

Fiscal Year	
2013	$ 45,787
2014	34,396
2015	24,872
2016	18,582
2017	14,206
2018 and thereafter	28,069
	$165,912

From time to time, the Company is named as a defendant in legal actions arising from normal business activities. Litigation is inherently unpredictable and although the amount of any liability that could arise with respect to currently pending actions cannot be accurately predicted, the Company does not believe that the resolution of any pending action will have a material adverse effect on its financial position, results of operations or liquidity.

Notes to Financial Statements - Executive Officer Employment Agreements

Executive Officer Employment Agreements	12 Months Ended
	Sep. 30, 2012
Executive Officer Employment Agreements [Abstract]	
EXECUTIVE OFFICER EMPLOYMENT AGREEMENTS	17. EXECUTIVE OFFICER EMPLOYMENT AGREEMENTS On September 26, 2008, the Board appointed Edward M. Krell, the Company's Chief Operating Officer & Chief Financial Officer at that time, to serve as Chief Executive Officer ("CEO") of the Company, effective as of October 1, 2008, replacing the former CEO. Mr. Krell also served as the Company's President from August 3, 2010 to May 31, 2011. In connection with Mr. Krell's promotion to CEO, the Company entered into an amendment to his May 15, 2007 employment agreement. The amendment provided for an increase in Mr. Krell's annual base salary from $531,000 to $650,000. Mr. Krell's agreement was further amended on August 10, 2011 to increase Mr. Krell's annual base salary to $750,000, effective December 1, 2010. Base compensation for Mr. Krell was $750,000, $733,000 and $650,000 for fiscal 2012, 2011 and 2010, respectively. The agreement also provides for salary continuation and severance payments should the employment of Mr. Krell be terminated under specified conditions, as defined therein. Additionally, Mr. Krell is eligible for an annual cash bonus based on performance. The agreement continues in effect until terminated by either the Company or Mr. Krell in accordance with the termination provisions of the agreement. In connection with Mr. Krell's appointment as CEO, the Company granted to Mr. Krell two stock options, each to purchase 200,000 shares of common stock, under the Company's 2005 Equity Incentive Plan (see Note 14). Prior to September 30, 2008, the Company had an employment agreement with Dan W. Matthias, the Company's former Chairman of the Board and Former CEO. Effective September 30, 2008, Mr. Matthias retired as CEO. In connection with Mr. Matthias' retirement as CEO, the Company entered into a Transition Agreement (the "D. Matthias Transition Agreement") with Mr. Matthias. The D. Matthias Transition Agreement, which had a term of four years that expired September 30, 2012, provided that Mr. Matthias made himself available to the Company for strategic planning, corporate development and other matters as requested by the Board or the Company's CEO. Subsequent to his retirement, Mr. Matthias continued to serve the Company as non-executive Chairman of the Board and was available to the Company as stipulated in the D. Matthias Transition Agreement. In consideration of Mr. Matthias' advisory and board services (and in lieu of all other director compensation), the Company paid Mr. Matthias an annual retainer of $200,000 and continued certain insurance and fringe benefits during the term of the D. Matthias Transition Agreement. In November 2009, Mr. Matthias entered into a letter agreement with the Company, which confirmed that he would not seek reelection to the Board after the expiration of his term in January 2010. The letter agreement did not change the terms of payment under the annual retainer for advisory services, however the Company incurred a pretax charge of $585,000 in fiscal 2010, representing the amount due for the remaining term of the advisory arrangement. Payment of the retainer and continuation of the benefits was subject to certain specified conditions, as defined in the D. Matthias Transition Agreement. The D. Matthias Transition Agreement also provides for the restrictive covenants set forth in Mr. Matthias' employment agreement to continue in effect until two years after Mr. Matthias ceases to serve the Company in any capacity (including service as a Board member or advisor). During fiscal 2010, the Company had an employment agreement with Rebecca C. Matthias, the Company's former President and Chief Creative Officer. Base compensation on an annualized basis for Ms. Matthias was $572,000 for fiscal 2010. On November 6, 2009, the Company announced the retirement of Ms. Matthias at the end of fiscal 2010. In connection with Ms. Matthias' retirement, the Company entered into a Transition Agreement (the "R. Matthias Transition Agreement") with Ms. Matthias on November 6, 2009 (the "Effective Date"). The R. Matthias Transition Agreement, which expired on September 30, 2012, provided that Ms. Matthias would be a full-time employee of the Company until June 15, 2010 (the "Transition Date"). Following the Transition Date, Ms. Matthias agreed to serve the Company as a part-time employee until September 30, 2010 (the "Termination Date"), at which point Ms. Matthias' employment with the Company was terminated. Following the Termination Date and through September 30, 2012, Ms. Matthias agreed to make herself available to the Company on a limited basis for strategic planning, merchandising, public relations, publicity and other matters as requested by the Company's CEO. The R. Matthias Transition Agreement also provides for the restrictive covenants set forth in Ms. Matthias' employment agreement to continue in effect until two years after Ms. Matthias ceases to serve the Company in any capacity (including service as a Board member or advisor). In consideration of the services described above, the Company paid Ms. Matthias: (i) a base salary at an annualized rate of $572,000 from the Effective Date through the Transition Date, (ii) a base salary at an annualized rate of $114,000 from the Transition Date to the Termination Date, and (iii) certain fringe benefits, which continued through the Termination Date. The R. Matthias Transition Agreement also provided that Ms. Matthias was eligible for a pro-rata cash bonus based on performance, as specified by the Compensation Committee, for fiscal 2010. Effective June 1, 2011, the Company entered into an employment agreement with Christopher F. Daniel, in connection with the hiring of Mr. Daniel as the Company's President. The agreement provided that Mr. Daniel's annual base salary would be $525,000. Base compensation for Mr. Daniel was $525,000 and $175,000 for fiscal 2012 and 2011, respectively. The agreement also provides for salary continuation and severance payments should employment of the executive be terminated under specified conditions, as

defined therein. Additionally, Mr. Daniel is eligible for an annual cash bonus based on performance. The agreement continues in effect until terminated by either the Company or the executive in accordance with the termination provisions of the agreement.

Effective July 23, 2008, the Company entered into an employment agreement with Judd P. Tirnauer, in connection with Mr. Tirnauer's promotion to Senior Vice President & Chief Financial Officer. Mr. Tirnauer's agreement was amended on August 10, 2011 to increase Mr. Tirnauer's annual base salary from $332,000 to $375,000, effective December 1, 2010. Base compensation for Mr. Tirnauer was $375,000, $368,000 and $332,000 for fiscal 2012, 2011 and 2010, respectively. The agreement also provides for salary continuation and severance payments should employment of the executive be terminated under specified conditions, as defined therein. Additionally, Mr. Tirnauer is eligible for an annual cash bonus based on performance. The agreement continues in effect until terminated by either the Company or the executive in accordance with the termination provisions of the agreement. Effective November 22, 2011, Mr. Tirnauer was promoted to Executive Vice President & Chief Financial Officer.

Effective July 16, 2009, the Company entered into an employment agreement with Ronald J. Masciantonio, then the Company's Vice President & General Counsel. The agreement was amended on April 27, 2010, in connection with Mr. Masciantonio's promotion to Senior Vice President & General Counsel. Effective April 21, 2011, Mr. Masciantonio was named by the Board as an executive officer of the Company. Mr. Masciantonio's agreement was amended on August 10, 2011 to increase Mr. Masciantonio's annual base salary from $275,000 to $320,000, effective December 1, 2010. Base compensation for Mr. Masciantonio was $320,000 and $312,000 for fiscal 2012 and 2011, respectively. The agreement also provides for salary continuation and severance payments should employment of the executive be terminated under specified conditions, as defined therein. Additionally, Mr. Masciantonio is eligible for an annual cash bonus based on performance. The agreement continues in effect until terminated by either the Company or the executive in accordance with the termination provisions of the agreement. Effective November 22, 2011, Mr. Masciantonio was promoted to Executive Vice President & General Counsel and, effective November 15, 2012, Mr. Masciantonio was promoted to the additional position of Chief Administrative Officer.

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